

Message Text

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65

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 PA-01

PRS-01 L-03 H-02 USIE-00 SSO-00 NSCE-00 INRE-00

EURE-00 IO-13 /101 W

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O R 301326Z SEP 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 6068

TREASURY DEPT WASHDC IMMEDIATE

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO BRUSSELS

AMEMBASSY MANILA

AMCONSUL BELFAST

AMCONSUL EDINBURGH

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DEPARTMENT PASS FRB

MANILA PASS IDRO/IMF DELEGATION

E.O. 11652: N/A

TAGS: PINT, EFIN, UK

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SUBJECT: LABOR PARTY NATIONAL EXECUTIVE COMMITTEE

STATEMENT ON IMF BORROWING

1. LABOR PARTY NATIONAL EXECUTIVE COMMITTEE (NEC) HELD SPECIAL MEETING IN BLACKPOOL EVENING OF SEPT 29 TO ADDRESS THE QUESTION OF GOVERNMENT'S DECISION TO APPLY FOR 2.3 BILLION POUND IMF STANDBY. NEC STATEMENT BEGINS BY ASKING PARTY TO GIVE GOVERNMENT ITS FULLEST SUPPORT IN DEFENDING THE POUND; STRESSES BRITAIN'S ACHIEVEMENT IN REDUCING INFLATION RATE AND IN SUCCESS OF ITS WAGE RESTRAINT POLICY; AND STRESSES ITS BELIEF THAT POUND IS CURRENTLY UNDERVALUED. STATEMENT GOES ON TO URGE THAT GOVERNMENT RESIST ANY CONDITIONS ON IMF BORROWING WHICH WOULD BE INCOMPATIBLE WITH PARTY POLICIES OR REQUIRE FURTHER CUTS IN PUBLIC SPENDING.

2. NEC ACTION APPARENTLY PREEMPTS AN "EMERGENCY" RESOLUTION BEING CIRCULATED BY LEFT-WING TRADE UNIONIST CLIVE JENKINS OF ASTMS. WE ANTICIPATE NEC STATEMENT WILL BE INTRODUCED AT CONFERENCE AND APPROVED OVERWHELMINGLY, EVEN UNANIMOUSLY.

3. COMMENT: AS HAS BEEN THE CASE THROUGHOUT THE WEEK REGARDING RESOLUTIONS AND STATEMENTS CRITICAL OF GOVERNMENT POLICIES, LABOR PARTY CONFERENCE POSITION ON THIS QUESTION IS VIRTUALLY IRRELEVANT TO GOVERNMENT ACTION. IT ACCENTUATES, NEVERTHELESS, THE GROWING GAP BETWEEN THE PARTY AND GOVERNMENT (SOME WOULD SAY BETWEEN MYTH AND REALITY), A SITUATION WHICH DOES NOT AUGUR WELL FOR THE LONG-TERM VIABILITY OF THE LABOR GOVERNMENT. THE REALIZATION THAT POLICIES OF A TORY GOVERNMENT WOULD BE IMMEASURABLY MORE OFFENSIVE TO PARTY STALWARTS AND TRADE UNIONISTS, HOWEVER, IS STILL A RESILIENT GLUE HOLDING THE PARTY TOGETHER. THERE ARE FEW SIGNS THAT THIS GLUE IS ABOUT TO COME APART.

ARMSTRONG

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PARTY LINE, POLITICAL PARTIES, FINANCIAL PROGRAMS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON15595
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760368-1114
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976093/aaaaacdm.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2004 by BoyleJA>; APPROVED <11 AUG 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LABOR PARTY NATIONAL EXECUTIVE COMMITTEE STATEMENT ON IMF BORROWING
TAGS: PINT, EFIN, UK
To: STATE TRSY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006